

Ahead of festive season, credit offtake remains strong in July 2022

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Abhijit Lele | Mumbai August 30, 2022 Last Updated at 23:41 IST



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The pace of bank lending remained strong in July 2022, ahead of the festive season, with sectors posting year-on-year (YoY) growth between 10.5 per cent and 18.8 per cent.

[Reserve Bank of India](#) (RBI) data showed that credit to industry grew 10.5 per cent in July 2022 against a mere 0.4 per cent in July 2021.

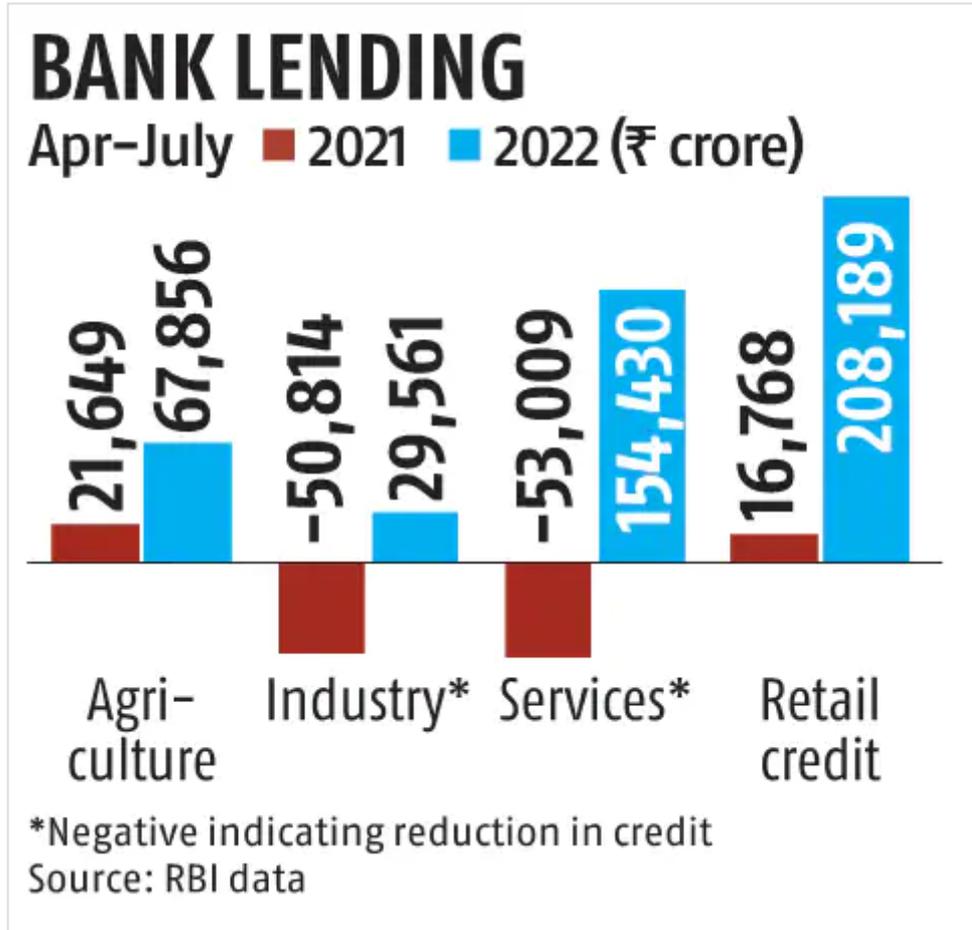
Size-wise, credit to medium industries grew 36.8 per cent YoY in July against 59 per cent in the same month last year. Credit growth of micro and small industries rose to 28.3 per cent from 10.5 per cent a year ago.

The large industries segment saw a credit growth of 5.2 per cent against a contraction of 3.8 per cent in July 2021.

Rating agency CareEdge said after a modest credit growth in recent years, the outlook for bank credit offtake is positive.

This is due to factors like economic expansion tracking nominal [GDP growth](#) as well as rise in government and private capital expenditure.

The build-up before the festive season, rising commodity prices and implementation of the production-linked incentive (PLI) scheme are supporting demand for loans, bankers said.



Also, higher working capital limits due to rising input costs and some shift to bank loans from costly market borrowings have led to an uptick in credit demand from industry.

Last year, the credit demand was impacted by disruptions caused by the second wave.

The retail loans segment retained its uptrend and grew 18.8 per cent in July 2022 against 11.9 per cent in the same month last year. It was primarily driven by housing and vehicle loans.

Credit to the services sector grew 16.5 per cent in July 2022 (3.8 per cent a year ago). This is mainly due to improved offtake by non-banking financial companies (NBFCs),

professional services and transport operators.

Credit growth to agriculture and allied activities was 13.2 per cent in June 2022 (against 11.1 per cent in June 2021).

Data on sectoral deployment of bank credit for June was collected from 40 scheduled commercial banks.

These lenders account for about 93 per cent of the total non-food credit deployed by scheduled commercial banks. Non-food bank credit grew 15.1 per cent in June 2022 from 5.1 per cent a year ago.